

Date: August 20, 2019

To
The Board of Directors,
Surat Textile Mills Limited
6th Floor, Tulsi Krupa Arcade,
Near Aai Mata Chowk
Puna-Kumbharia Road,
Dumbhal, Surat - 395010

Dear Sir,

Sub: Fairness Opinion on the recommendation of the fair equity share exchange ratio for the proposed amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited in terms of SEBI Circular CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 amended from time to time.

This has reference to our Engagement Letter dated August 01, 2019 with you in the matter of providing Fairness Opinion on the recommendation of the fair equity share exchange ratio for the Scheme of Amalgamation ('the Scheme') of Vareli Trading Company Limited (hereinafter referred to as the "VTCL", "Transferor Company") with Surat Textile Mills Limited (hereinafter referred to 'Surat Textile Mills', 'the Transferee Company', "The Company").

we have prepared Fairness Opinion report based on our Independent Analysis of the information received from the Management and had a detailed review of the Valuation Report of Snehal Shah & Associates, Chartered Accountants ("Valuer"), subject to the disclaimers and limitations detailed herein below. We believe that the Equity Share Exchange Ratio i.e. **"521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL"** for the proposed amalgamation is fair and reasonable.

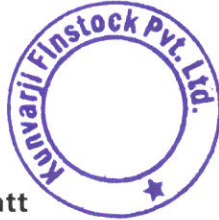


Please find enclosed our narrative Fairness Opinion Report on the valuation carried out by Valuer.

Thanking You,
For, Kunvarji Finstock Private Limited



Mr. Himanjal Brahmbhatt
Director (DIN: 00049679)



Date: August 20, 2019
Place: Ahmedabad

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1. BACKGROUND:

- 1.1. Surat Textile Mills Limited (**hereinafter referred to 'STML', 'the Transferee Company', 'you', your'**), a Company incorporated in the state of Gujarat, India vide its CIN: L17119GJ1945PLC000214 having its Registered Office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat, Gujrat, India has engaged 'Kunvarji Finstock Private Limited', Category I Merchant Banker registered with SEBI having its Registration No. INM000012564 (**hereinafter referred to 'Kunvarji', 'KFPL' 'we', 'us', 'our'**), vide an engagement letter dated August 1, 2019, to issue a Fairness Opinion Report on the valuation carried out by Snehal Shah & Associates, Chartered Accountants, (**"Registered Valuer"**), vide its Valuation Report dated August 20, 2019 in respect of the Proposed Scheme of Amalgamation (**'the Scheme'**) providing for amalgamation of Vareli Trading Company Limited (**hereinafter referred to as the "Transferor Company", "The Company", "VTCL"**) with Surat Textile Mills Limited.
- 1.2. This Fairness Opinion Report is issued in terms of CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the same can be used as guidance for the Scheme.

2. USE OF THIS REPORT

- 2.1 As stated hereinabove, in order to comply with the requirements of the regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and SEBI Circular CFD/DIL3/CIR/2017/21, STML has appointed Kunvarji to issue a fairness opinion on the report issued by Snehal Shah & Associates, Chartered Accountants and Registered Valuer.
- 2.2 Our scope of work only includes forming an opinion on the fairness of the recommendation given by the Valuer on the exchange ratio arrived at for the purpose of the proposed Scheme of Amalgamation and not on the fairness or economic rationale of the amalgamation per se.
- 2.3 Our report is prepared solely for the purpose outlined hereinabove. The distribution of this report shall hence be restricted to the Company, its Shareholders, SEBI, Stock Exchange and such other regulatory bodies required to give the effect to amalgamation, including



but not limited to ROC, NCLT. This report shall not be relied upon by any other person for any other purpose whatsoever and the Company agrees to this fact.

- 2.4 This report is subject to the scope, assumptions, limitations and disclaimers detailed above. As such the report is to be ready in totality, not in parts and in conjunction with the relevant documents referred to herein.

3. DISCLAIMERS AND LIMITATIONS

- 3.1. This Fairness Opinion Report is prepared by 'Kunvarji Finstock Private Limited' under an engagement from Surat Textile Mills Limited on the basis of information, documents, papers, and explanations given by the management, officers and staff of STML to Kunvarji.
- 3.2. In preparing the Fairness Opinion Report, Kunvarji has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and financial data provided by STML. Kunvarji has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.
- 3.3. Our work does not constitute an audit or certification or due diligence of the past financials of STML or any of the transferee Companies used in the study and we have relied upon the information provided to us by STML as regards such working results.
- 3.4. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies. No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of the fairness opinion. With regard to the companies claim we have relied solely on representation, whether verbal or otherwise made, by the management to us for the purpose of this report.
- 3.5. Publicly available information deemed relevant for the purpose of the analysis contained in this report has also been used. Accordingly, this report is based on our interpretation of the information provided by STML or any of its affiliates as well as its representatives and advisors, to date.



- 3.6. Kunvarji shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly on account of the use of or reliance on the information set out herein in this report.
- 3.7. Kunvarji has not provided any accounting, tax or legal advice to STML or Transferee Companies or any other company involved in the transaction. This Fairness Opinion Report should not be construed as investment advice or any form of recommendation either for making or divesting investment in any of the companies involved in the transaction.
- 3.8. This Opinion is furnished on a strictly confidential basis. Neither this Opinion nor the information contained herein may be reproduced or passed to any person or used for any purpose other than stated above or as may be required under applicable laws and regulation.
- 3.9. This Report, its contents and the results herein (i) are specific to the purpose of report agreed as per the terms of our engagement and (ii) are specific to the date of this report. This report is necessarily based on the prevailing financial, economic and other conditions in general and industry trends in particular as in effect on, and the written and oral information made available to us till the date of this report. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of considering the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed scheme, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date of the proposed Scheme. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

4. SOURCES OF INFORMATION

We have relied on the following information made available to us by STML for the purpose of this report:

- 4.1 Management certified Scheme of Amalgamation between Surat Textile Mills Limited and Vareli Trading Company Limited as may be submitted with Stock Exchange.
- 4.2 Valuation Report of Snehal Shah & Associates., Chartered Accountants & Registered Valuer, dated August 20, 2019.



- 4.3 Audited Financial Statements of STML for the Financial Year ended on March 31, 2019, March 31, 2018 and March 31, 2017.
- 4.4 Audited Financial Statements of VTCL for the Financial Year ended on March 31, 2019 March 31, 2018 and March 31, 2017.
- 4.5 Details of Market Price and trading volume of Equity Shares of STML on BSE.
- 4.6 Present Shareholding pattern of STML and VTCL.
- 4.7 Memorandum and Articles of Association of VTCL and STML.
- 4.8 Such other information and explanations as we required and which have been provided by the management of STML, which were considered relevant for the purpose the Fairness Opinion.

5. HISTORY AND BACKGROUND

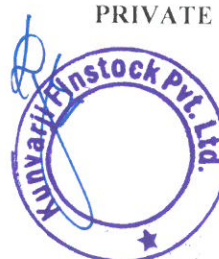
5.1. Surat Textile Mills Limited

5.1.1. Surat Textile Mills Limited is a public limited company having CIN L17119GJ1945PLC000214, incorporated on November 29, 1945 under the provisions of the Indian Companies Act, 1913 having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat, and Gujrat, India The equity shares of STML are listed on BSE Limited. STML is equipped with production facilities at Village Jolwa, Taluka Palsana, Surat (Gujarat). STML is engaged in the manufacturing and selling of polyester filament yarn, polyester chips.

5.1.2. The Board of Directors of STML as on July 31, 2019 is as follows:

Name of the Directors	Designation
Yogesh C Papaiya	Whole time Director & CFO
Manikant R Momaya	Managing Director
Harishchandra B. Bharucha	Director
Ketan Jariwala	Director
Kruti G Kothari	Additional Director

5.1.3. The Authorized Share Capital of STML is INR 75,00,00,000 divided into 75,00,00,000 equity shares of INR 1/- each and paid up equity share capital of the company 22,20,64,440 divided into 22, 20, 64,440 equity shares of INR 1/- each.



5.1.4. The Current Shareholding pattern of Surat Textile Mills Limited as on June 30, 2019 is as under:

Categories	Number of Equity Shares	Shareholding Percentage (%)
Promoters	166504917	74.98%
Public	55559523	25.02%
Total	222064440	100.00%

5.1.5. Pre - Amalgamation and Post - Amalgamation share holding pattern of STML:

Name of Shareholder	Pre-Amalgamation		Post-Amalgamation	
	No. of Equity Shares held	Percentage Holding	No. of Equity Shares held	Percentage Holding
Shri Praful A. Shah	27830471	12.53%	70499329	31.75%
Shri Praful A. Shah (HUF)	10000450	4.50%	10000450	4.50%
Smt. Shilpa P. Shah	10015450	4.51%	21652506	9.75%
Shri Alok P. Shah	10015000	4.51%	21652506	9.75%
Shri Suhail P. Shah	10015000	4.51%	21652506	9.75%
Palomar Textiles Ltd.	6545820	2.95%	6545820	2.95%
Introscope Properties	1700	0.00%	1700	0.00%
Vareli Trading Co. Ltd.	77580026	34.94%	-	-
Garden Silk Mills	14500000	6.53%	14500000	6.53%
Public	55560523	25.02%	55560523	25.02%
Total	222,064,440	100.00%	222,064,440	100.00%

5.2. Vareli Trading Company Limited

5.2.1. Vareli Trading Company Limited is a public limited Company incorporated on February 10, 1987 located at Dr. Amichand Shah Wadi, Rampura Tunki, Surat, Gujarat -395003 bearing CIN U65910GJ1987PLC009405.

5.2.2 VTCL is engaged into the business of Financing and Investments.

5.2.3 The Board of Directors of VTCL as on July 31, 2019 is as follows:

Name of the Directors	Designation
Praful Shah	Director
Alok P Shah	Director
Suhail P Shah	Director

- 5.2.4 The Authorized Share Capital of VTCL is INR 1,00,00,000 divided into 10,00,000 equity shares of INR 10/- each and paid up equity share capital of the company 14,89,060 divided into 1,48,906 equity shares of INR 10/- each
- 5.2.5 As on the date of this report, VTCL owns 7,75,80,026 equity shares of STML.

6 VALUER'S RECOMMENDATION

- 6.1. The fair basis of amalgamation of the Companies has been determined after taking into consideration all the factors and methodologies as mentioned by the Valuer in its valuation report, dated August 20, 2019. Their scope of work was to take out the value of equity shares of the Companies to facilitate the determination of a fair equity share exchange ratio.
- 6.2. The equity share exchange ratio has been arrived on the basis of valuation of the equity shares of the Companies based on methodology as explained in the valuation report of Valuer, dated August 20, 2019, and various qualitative factors relevant to each Company and the business dynamics as well as growth potential of the businesses of the companies, and also having regard to information base, management representations and perceptions, key underlying assumptions and limitations
- 6.3. In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined in the valuation report, dated August 20, 2019 by Snehal Shah & Associates ,Chartered Accountants and Registered Valuer, it has been recommended by the Valuer that the fair exchange ratio for the amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited shall be as follows:

"521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL"



7 CONCLUSION

- 7.1. With reference to the above and based on the information provided to us by the management of the entities forming part of the Scheme of Amalgamation as well as taking into consideration the Scheme we understand that the present Scheme proposes to merge VTCL with STML.
- 7.2. The fairness opinion has been prepared based on the Valuer's report and our analysis of the various factors relevant to the Companies, having regard to the information submitted, management representations, key underlying assumptions and limitations.
- 7.3. In the light of the foregoing, based on our independent analysis of the information received and a detailed review of the Valuation Report of Snehal Shah & Associates, Chartered Accountants, as well as subject to the disclaimers and limitations detailed hereinabove, we believe that the proposed Equity Share Exchange Ratio as recommended by Snehal Shah & Associates for the proposed Scheme of Amalgamation of VTCL with STML is fair and reasonable.

Thanking You,

For, Kunvarji Finstock Private Limited



Mr. Himanjal Brahmbhatt
Director (DIN: 00049679)



Date: August 20, 2019

Place: Ahmedabad